ILLINOIS COMMERCE COMMISSION

DOCKET NO. 01-0698

DIRECT TESTIMONY

OF

JULIANNE J. HEINS

Submitted on Behalf

Of

CENTRAL ILLINOIS PUBLIC SERVICE COMPANY

d/b/a AmerenCIPS

April 2002

PUBLIC VERSION

BEFORE THE STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

Illinois Commerce Commission On Its Own Motion	)	
	)	
vs.		
	)	
Central Illinois Public Service Company, d/b/a AmerenCIPS	)	Case No. 01-0698
	)	
	)	
Reconciliation of revenues collected under gas adjustment charges with actual costs.	)	

AFFIDAVIT OF JULIANNE J. HEINS

STATE OF MISSOURI)
) SS
CITY OF ST. LOUIS

Julianne J. Heins, being first duly sworn on his oath, states:

1 My name is Julianne J. Heins. I am a Natural Gas Supply and Transportation Director of AmerenEnergy Fuels and Services Company.

2. Attached hereto and made a part hereof for all purposes is my Direct Testimony consisting of 22 pages and attached Schedules JJH-CIP-1 and JJH-CIP-2, all of which have been prepared in written form for introduction into evidence in the above-referenced docket.

3. I hereby swear and affirm that my answers contained in the attached testimony to the questions therein propounded are true and correct.

Julianne J Heins

Subscribed and sworn to before me this 2nd day of April 2002.

Carol A Head
Notary Public

CAROL A. HEAD
Notary Public - Notary Seal
STATE OF MISSOURI
St. Charles County
My Commission Expires: Sept. 23, 2002

ILLINOIS COMMERCE COMMISSION

DOCKET NO. 01-0698

DIRECT TESTIMONY OF JULIANNE J. HEINS

CENTRAL ILLINOIS PUBLIC SERVICE COMPANY
d/b/a AmerenCIPS

Q. Please state your name and business address.

A. My name is Julianne J. Heins. My business address is 1901 Chouteau Avenue, St. Louis, Missouri 63103.

Q. By whom are you employed and in what capacity?

A. I am employed by AmerenEnergy Fuels and Services Company (AFS) as a Gas Supply and Transportation Director.

Q. Please explain the relationship between AFS and Central Illinois Public Service Company.

A. AFS was formed on November 1, 2000 in order to perform fuel and natural gas supply and management services for all affiliates of Ameren Corporation. AFS was also formed to provide fuel and fuel related services to third party companies. The Natural Gas Supply and Transportation Division of AFS manages all of the gas supply business activities for both Central Illinois Public Service Company d/b/a AmerenCIPS (AmerenCIPS or Company) and Union Electric Company d/b/a AmerenUE (AmerenUE). It is in this capacity that I am testifying on behalf of AmerenCIPS.

Q. Please describe your educational background.

A. I received a Master of Business Administration from Washington University in 1992 and a Bachelor of Arts Degree in Economics from the University of Tennessee in 1981.

Q. Please describe your pertinent employment history.

In September 1998, I joined Ameren Services Company as a Gas Supply Executive. At that time, Ameren Services Company provided gas management and procurement services for Ameren affiliates, including AmerenCIPS. In my position, I was responsible for obtaining reliable and economical gas supply, transportation, and storage services for AmerenCIPS' and AmerenUE's distribution systems served by Panhandle Eastern Pipe Line Company and Missouri Pipeline Company. My duties included the preparation of studies and analyses to evaluate system supply needs; the sourcing and procurement of natural gas supply, transmission capacity, and storage capacity; and the negotiation of gas supply, transportation, and other gas related service arrangements for the distribution systems. I also participated in proceedings before the Federal Energy Regulatory Commission (FERC) involving interstate pipeline suppliers and in proceedings before this Commission and the Missouri Public Service Commission relating to AmerenUE's and AmerenCIPS' natural gas distribution systems.

In November 2000, I was promoted to my current position of Gas Supply and Transportation Director for AmerenEnergy Fuels and Services Company. On November 1, 2000 the Gas Supply and Transportation Department and the Fossil Fuel Department, both operating within Ameren Services Company, were

combined to form AmerenEnergy Fuels and Services Company. My responsibilities as a Gas Supply and Transportation Director include managing and overseeing the daily operations and business activities related to providing gas supply to the distribution systems of AmerenCIPS and AmerenUE served by Panhandle Eastern Pipe Line Company, Trunkline Gas Company, Texas Eastern Transmission L.L.P., and Texas Gas Transmission Corporation. Prior to joining Ameren, I was employed by two interstate natural gas pipelines, Mississippi River Transmission Corporation and Natural Gas Pipeline Company of America.

Q. Are you familiar with the subject matter of this proceeding?

A. Yes, I am. This docket is the Commission's annual reconciliation proceeding relating to AmerenCIPS' Illinois Uniform Purchased Gas Adjustment Clause (PGA). It was established for the purpose of reviewing the Company's gas procurement activities under its PGA for the twelve-month period ending on December 31, 2001.

Q. What is the purpose of your testimony in this proceeding?

A. The purpose of my testimony is to provide a description of the gas procurement activities performed with respect to AmerenCIPS' gas utility system located in central and southern Illinois.

Q. Please describe AmerenCIPS' gas system in Illinois.

A. The Company's gas distribution system serves approximately 169,000 gas customers in 267 communities. The system has over 30 separate distribution systems, each with interconnections (delivery points) on one or more interstate pipelines. The Company's customer load requirements are highly weather sensitive, with sharp variations in demand occurring during the peak winter

season. During 2001, AmerenCIPS' gas distribution system was directly connected to six interstate pipelines, all of which are regulated by the FERC: Panhandle Eastern Pipe Line Company (PEPL), Texas Eastern Transmission L.L.P. (TETCO), Trunkline Gas Company (Trunkline), Natural Gas Pipeline Company of America (NGPL), Texas Gas Transmission (Texas Gas), and Midwestern Gas Transmission Company (Midwestern). The FERC governs the maximum and minimum rates that the interstate pipelines are allowed to charge their transportation and storage customers such as AmerenCIPS. The Company's gas system is also connected to two other Illinois gas utilities: Northern Illinois Gas Company and Central Illinois Light Company.

AmerenCIPS purchases over 99% of its gas supply from major gas producers, independent gas producers, gatherers, and marketers, and transports the gas through the six interstate pipelines. The Company also purchases a very small amount of natural gas produced in local gas fields in Illinois. AmerenCIPS typically purchases gas from four native Illinois gas producers who produced approximately 151 Mcf per day during 2001. AmerenCIPS owns and operates four gas storage reservoirs in Illinois, Ashmore, Sciota, Johnston City and Belle Gent, all of which are connected directly to the Company's distribution systems. During 2001, the Belle Gent storage field was not in service. In addition, AmerenCIPS utilizes leased storage capacity from interstate pipelines and, at year-end 2001, held five storage service agreements with five interstate pipelines for a total working capacity of 9,270,648 MMBtu. The Company also operates a propane-air peaking facility at Quincy, Illinois.

Q. Ms. Heins, would you please describe the Company's general purchasing policy for acquiring natural gas supply and services to supply its Illinois gas system?

A. AmerenCIPS' natural gas acquisition policy is essentially a product of its utility obligation to serve. As a regulated public utility, the Company is obligated to provide natural gas service to all present and future customers in its service area; it is required to meet changes in its customers' demand for gas, without regard to their cause; and it is responsible for providing reliable service at reasonable cost. Each gas purchasing decision made on behalf of the Company is directed at satisfying this obligation to serve in the most economic way.

Q. Please describe the gas transportation and storage services, which were available for use by AmerenCIPS in 2001 to supply gas to its Illinois distribution systems.

A. Attached to this testimony is Schedule JJH-CIP-1 that describes each transportation and storage agreement held by AmerenCIPS during the reconciliation period before and after contract renegotiations. At the end of 2001, the Company held a total of eleven firm transportation agreements with its interstate pipeline suppliers with firm deliverability to AmerenCIPS delivery points: three with PEPL, two with Trunkline, two with TETCO, one with NGPL, two with Texas Gas, and one with Midwestern. In addition to the firm transportation agreements, AmerenCIPS also had under contract five firm storage service arrangements, all providing for "No-Notice" storage services. The Company held one storage agreement on each of the interstate pipelines, except for Midwestern on which AmerenCIPS held no storage. "No-Notice" storage

services permit injections or withdrawals throughout the year without requiring nominations, and are used by AmerenCIPS to balance distribution system demand with interstate pipeline deliveries and on-system storage operations. In 2001, the Company also utilized the on-system storage fields, which I previously identified and will discuss later in my testimony.

Q. Did the Company alter any of its transportation or storage agreements during 2001?

A. During 2001, AmerenCIPS renegotiated its transportation and storage agreements on PEPL, Trunkline, and NGPL. Contracts containing both 2001 expiration dates and evergreen provisions were extended on TETCO and Texas Gas.

Q Please explain the primary objectives AmerenCIPS sought to achieve when renegotiating firm transportation and storage contracts during the reconciliation period.

A. During 2001, all of the services that AmerenCIPS had under contract with PEPL and Trunkline were renegotiated since the majority of the contracts expired during the year. The PEPL and Trunkline contracts were negotiated together because both pipelines serve the AmerenCIPS integrated service area and because both pipelines are owned by the same company. It was also believed that AmerenCIPS would have more leverage in the negotiations if all of the contracts were reviewed at the same time. AmerenCIPS' primary strategy in renegotiating these contracts is outlined in the bullets below.

- Determine the appropriate level of transportation and storage capacity required to meet AmerenCIPS natural gas demand.

- Ensure that rates received from PEPL and Trunkline are priced competitively with alternative pipeline suppliers.
- Achieve the maximum level of operational flexibility in utilizing the contracted transportation and storage services **_____ _____ _____ _____ _____**
- Structure contracts so gas can be easily moved **_____ _____ _____**
- Streamline the administration and daily operation of the contracts by reducing the number of contracts and by eliminating monthly discounted rate changes.

Early in the contract negotiations, it became clear that PEPL-Trunkline's primary goal **_____ _____ _____ _____ _____ _____** The importance of storage has increased dramatically within the past year due to increased price volatility in the natural gas markets. **_____ _____ _____**

The two contracts for storage and transportation capacity that AmerenCIPS held on NGPL expired in 2001. The primary goal of the negotiations with NGPL was for AmerenCIPS to obtain **_____ _____ _____ _____**

There were three contracts (two on Texas Gas and one on TETCO) which AmerenCIPS allowed to be automatically extended under each contract's evergreen terms. AmerenCIPS continues to have a need for the capacity, **____ _____ _____**

Q Ms. Heins, would you please specifically explain how each of the existing contracts changed for PEPL and Trunkline upon completion of the negotiations?

A. Yes, the following table summarizes the contract changes made on PEPL and Trunkline. The PEPL firm transportation capacity used by AmerenCIPS to meet its peak day demand at its citygate was increased by 9 MMBtu/day to 143,100 MMBtu/day. For the FS storage service with PEPL, the Maximum Daily Withdrawal Quantity (MDWQ) was increased slightly by 100 MMBtu/day to 71,000 MMBtu/day, while the Maximum Stored Quantity (MSQ) increased by 929,986 MMBtu to 6,225,000 MMBtu. On Trunkline, the firm transportation capacity used by AmerenCIPS to meet its peak day demand at its citygate remained at 63,025 MMBtu/day. For the NNS-1 storage service with Trunkline, the MDWQ was increased by 15,333 MMBtu/day to 22,000 MMBtu/day, while

the MSQ increased by 1,150,000 MMBtu to 1,650,000 MMBtu. The LFT contracts on both PEPL and Trunkline, which had no fixed reservation charges, were terminated, as AmerenCIPS did not realize significant benefits from these agreements. PEPL EFT 015101 and Trunkline EFT 015161 were adjusted to have the same contract level of 40,000 MMBtu/day. **_____ _____ _____ _____ _____**

All of the PEPL and Trunkline contracts were extended for five-year terms, having expiration dates of March 31, 2006. The five-year terms were negotiated since there has been increasing demand for firm transportation capacity in the United States, driven by the growth of gas-fired electric generation and the growth of the economy. It was our opinion that the value of transportation capacity would only be increasing in the coming years due to these factors. The Company's strategy was to lock in these renegotiated services and discounts with the pipelines to avoid exposure to increased pipeline rates over the next several years.

Restructured PEPL and Trunkline Contracts – Effective April 1, 2001

Pipeline/ Contract No.	Type Of Service	MDQ (MMBtu/d) Prior to Renegotiations	MDQ (MMBtu/d) After Renegotiations	Comments
PEPL 011745	EFT- Firm Transport	40,800 (Fld/Stg to CIPS)	129,200 (Fld/Stg to CIPS)	
PEPL 015100	EFT- Firm Transport	27,500 (Fld/Stg to CIPS)	0	Contract terminated.
PEPL 015101	EFT- Firm Transport	47,500 (Trunk to CIPS)	40,000 (Trunk to CIPS)	MDQ reduced to reflect AmerenCIPS needs.
PEPL 015102	LFT-Limited Firm Transport	10,000 (CIPS to Mich)	0	Contract terminated.
PEPL 014926	EFT- Firm Transport	30,000 (Mich to CIPS)	13,900 (Mich to CIPS)	MDQ reduced to reflect AmerenCIPS needs.
PEPL 011731	IOS-Firm Storage	25,000 MDWQ 2,500,000 MSQ (Field Stg)	0	Contract terminated.
PEPL 013620	FS-Firm Storage	25,680 MDWQ 1,284,014 MSQ (Field Stg)	71,000 MDWQ 6,225,000 MSQ (Field Stg)	MSQ increased to improve flexibility.
PEPL 013622	EFT- Firm Transport	25,000 (FS 013620 to CIPS)	0	Contract terminated.
PEPL 015099	FS-Firm Storage	10,220 MDWQ 511,000 MSQ (Mich stg)	0	Contract terminated.
PEPL 011755	EFT- Firm Transport	10,027 (FS 015099 to CIPS)	0	Contract terminated.
PEPL 011732	WS-Firm Storage	10,000 MDWQ 1,000,000 MSQ (Mich Stg)	0	Contract terminated.
PEPL 011735	EFT- Firm Transport	9,764 (FS 011732 to CIPS)	0	Contract terminated.
Total PEPL Firm Transportation Capacity (Before Renegotiations.): Citygate: 143,091 Total: 200,591				
Total PEPL Firm Transportation Capacity (After Renegotiations.): Citygate: 143,100 Total: 183,100				
Total PEPL Firm Storage Capacity (Before Renegotiations.): MDWQ: 70,900 MSQ: 5,295,014				
Total PEPL Firm Storage Capacity (After Renegotiations.): MDWQ: 71,000 MSQ: 6,225,000				
Trunkline 016103	FT-Firm Transport	15,525 (Field to CIPS)	0	Contract terminated.
Trunkline 015160	FT-Firm Transport	47,500 (Field to CIPS)	63,025 (Field to CIPS, Midwestern)	
Trunkline 015161	FT-Firm Transport	27,500 (PEPL to CIPS)	40,000 (PEPL to CIPS)	MDQ increased to improve flexibility.
Trunkline 015189	LFT-Limited Firm Transport	20,000 (CIPS to Mich)	0	Contract terminated.
Trunkline 015158	NNS- No Notice Storage	6,667 MDWQ 500,000 MSQ (Field Stg)	22,000 MDWQ 1,650,000 MSQ (Field Stg)	MDWQ and MSQ increased to improve flexibility.
Total Trunk Firm Transportation Capacity (Before Renegotiations): Citygate: 63,025 Total: 110,525				
Total Trunk Firm Transportation Capacity (After Renegotiations): Citygate: 63,025 Total: 103,025				
Total Trunk Firm Storage Capacity (Before Renegotiations.): MDWQ: 6,667 MSQ: 500,000				
Total Trunk Firm Storage Capacity (After Renegotiations.): MDWQ: 22,000 MSQ: 1,650,000				

Q Why did AmerenCIPS increase its storage services on both PEPL and Trunkline?

A. As noted in the previous table, the Company only slightly increased the MDWQ for PEPL. **_____
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Q What is the overall cost impact of the renegotiated contracts on PEPL and Trunkline?

A. **_____
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Q Please explain the contract changes AmerenCIPS made for the NGPL firm transportation and storage services.

A. On NGPL, the Company did not change either the level of firm transportation (10,000 MMBtu/day) or the level of firm storage (MDWQ of 7,850 MMBtu/day, MSQ of 392,500 MMBtu). **_____ _____ _____ _____** The renegotiated contracts have a five-year term and will expire on October 31, 2006.

Q Ms. Heins, you previously testified that certain contracts on TETCO and Texas Gas were extended under evergreen provisions. Did the Company make any other changes to these agreements?

A. No.

Q Did AmerenCIPS release any of its firm transportation capacity into the secondary capacity markets or perform off-system sales during the reconciliation period?

A. Yes, AmerenCIPS released capacity during 2001 on the PEPL, Trunkline and Texas Gas systems, which resulted in total revenues of $95,815. The Company made three off-system sales during 2001, **_____ _____ _____ _____ _____** The revenues from

the capacity releases and off-system sales were returned to the AmerenCIPS sales gas customers as credits to the commodity cost of gas through the monthly PGA mechanism.

Q What strategy does AmerenCIPS employ in procuring and utilizing gas supply for its distribution systems?

A. AmerenCIPS' gas supply strategy is based upon its utility obligation to provide reliable service to its firm sales customer base, consisting primarily of weather sensitive residential and small commercial customers. Industrial and large commercial customers are typically transportation customers, which do not directly impact the Company's firm gas sales requirements. Because AmerenCIPS must maintain service to its firm customers during peak winter conditions, the Company purchases only firm gas supply packages during the peak period of November through March. A combination of firm baseload and firm swing gas supplies are evaluated and procured from highly reliable gas producers and marketers using a competitive bidding process.

AmerenCIPS seeks to structure its gas supply portfolio by using a variety of pricing mechanisms to diversify price risk. The mix of pricing mechanisms is determined by season, market indicators, and the Company's natural gas requirements. Market indicators used by AmerenCIPS include the New York Mercantile Exchange (NYMEX) natural gas futures quotes, national storage inventory levels, weather forecasts, rig counts, and general economic indicators.

When evaluating pricing mechanisms for the winter season, the Company seeks to hedge **_____ _____** Market priced contracts

which are tied to indices found in gas industry publications such as Inside FERC Gas Market Report and Gas Daily, or to the NYMEX natural gas futures strip are included in the Company's gas supply portfolio. Gas supply packages purchased at fixed prices or those that have embedded hedges, such as price caps or costless collars, are also included in AmerenCIPS' portfolio. Storage is a major component of the Company's fixed priced winter supplies. The combination of all of these pricing structures creates a diversified portfolio that dampens price risk exposure for AmerenCIPS' sales customers.

During the summer season, AmerenCIPS typically utilizes more market priced contracts than fixed price contracts. The Company will also purchase more gas using spot market contracts to avoid any potential costs associated with firm supplies since spot market gas is usually abundant in the summer season. Storage injections account for the majority of AmerenCIPS' natural gas requirements in the summer. Because AmerenCIPS has some flexibility in timing its storage injections, AmerenCIPS attempts to purchase gas for injections when gas prices are relatively low. However, to minimize price exposure for its customers, AmerenCIPS does utilize a mix of first of the month index priced contracts, fixed priced contracts, and daily priced contracts in its summer gas supply portfolio.

Q. Please briefly describe some of the price hedging mechanisms the Company used during the reconciliation period.

A. AmerenCIPS employed several pricing mechanisms to moderate price volatility in its gas supply portfolio. The pricing mechanisms that AmerenCIPS included in its gas supply portfolio include:

1) Fixed Price Supply

2) Fixed Price Storage Withdrawals (at WACOG)
3) First of Month Index
4) First of Month Index with price caps
5) First of Month Index with price collars
6) NYMEX with Fixed Basis and Trigger
7) Gas Daily Average pricing
8) Gas Daily Average pricing with caps
9) Financial swaps
10) "Costless collars"
11) "Limited strike" caps

Storage withdrawals are the core component of the fixed price supplies in AmerenCIPS' gas supply portfolio. **_____
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Embedded hedges were also employed to dampen price spikes on both baseload and swing supply agreements. This type of hedge is a physical gas supply agreement in the price structure includes a financial product. The Company utilized several types of embedded hedges during the reconciliation period including costless collars, puts, call options (unlimited strikes), and call options (limited strikes). **_____
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AmerenCIPS also purchased several gas supply packages using the NYMEX strip with a fixed basis and an optional trigger to fix the price at any time prior to the settlement of the month. This pricing structure provides the Company access to market pricing but allows the Company the ability to fix the price should favorable market conditions occur. Basis reflects the market valuation of the gas price on a particular pipeline relative to the Henry Hub (the physical point where NYMEX prices are derived). By fixing the basis, AmerenCIPS sets a portion of the purchase price—another way to minimize price volatility.

Other market-based pricing utilized by the Company during the winter season included indices published in gas industry publications for first of the month like Inside FERC Gas Market Report and daily as published in Gas Daily. **_____

_____** Schedule JJH-CIP-2 details all of the firm gas supplies purchased by AmerenCIPS during the reconciliation period.

AmerenCIPS also entered into two financial swap contracts for the winter season 2001-2002. A financial swap contract is where one party "swaps" a floating or market-based physical position with a fixed-priced financial position from another party, usually a financial institution. The Company entered into financial swap contracts to fix a price, and then paired those financial contracts with physical supply purchased at an indexed price. The pairing of financial to

physical contracts insured that all financial positions created a hedge against equal and offsetting physical positions. AmerenCIPS' objective in purchasing financial hedges was to spread its credit risk associated with hedging, to lower the cost of the hedge since suppliers typically add a margin to embedded hedges, to gain experience in financial market transactions, and to build relationships with financial institutions.

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Q. What are the risks associated with implementing a price hedging strategy?

A. The primary purpose of hedging is to reduce exposure to the volatility and uncertainty of natural gas market prices in a future period. When a hedge is put in place, the Company is establishing a future position in the gas market. This position may end up below or above the market price of gas that ultimately occurs during that future period. The purpose of the position is to reduce or eliminate exposure to future market conditions that are unknown and uncertain when the hedge is originally put in place. Hedges are not intended to "beat the market" or create low gas prices.

Q. Were the firm gas supplies acquired by AmerenCIPS generally available during the peak seasons in the reconciliation period and on peak days experienced by the Company?

A. Yes, all of AmerenCIPS' firm suppliers performed as required during 2001.

Q. **How was the spot market monitored for the purchase of gas?**

A. AFS gas supply personnel maintain communications with gas producers and marketers when performing their normal job activities. A large volume of information regarding the natural gas market is derived from these communications. In addition, AFS subscribes to a number of gas industry publications such as Gas Daily, Inside FERC Gas Market Report, and Natural Gas Week which provide market pricing information and industry news on a regular basis. The NYMEX gas futures market is also monitored on a real time basis by a satellite feed signal from a futures information service provider. In addition, several electronic gas-trading platforms are monitored including Enron Online (no longer in existence in 2002), Intercontinental Exchange (ICE), and Dynegy Direct.

The Company procures spot market gas by soliciting competitive bids from various suppliers on a monthly or daily basis. AmerenCIPS maintains a spot market supplier list containing gas suppliers qualified to bid on the spot market requirements of the Company. AmerenCIPS uses the spot market as a "testing" ground for new suppliers since non-performance by a gas supplier during the summer will not typically cause operational or economic harm to the Company.

Q. You previously testified that AmerenCIPS utilized its own on-system storage fields to supply gas to its distribution systems in 2001. Please describe those facilities and how they are used.

A. AmerenCIPS owns and operates four natural gas storage fields located in Illinois. One of those fields, Belle Gent, was not in service during 2001. The remaining three storage facilities (Ashmore, Sciota, and Johnston City) have a combined working gas volume of 2,835,000 MMBtu and an expected peak day deliverability of approximately 38,000 MMBtu. All of AmerenCIPS' owned storage facilities are directly connected to the Company's distribution systems and require no transportation capacity on interstate pipelines for peak season deliverability. The storage fields are operated as seasonal facilities with injections typically scheduled from May through November and withdrawals scheduled from December through April. In addition, the fields enable intra-day withdrawal or injection changes since they are directly controlled by AmerenCIPS, allowing the Company to balance gas deliveries with demand load at any hour during the gas day. The firm deliverability of the on-system storage enables AmerenCIPS to reduce the amount of interstate pipeline capacity required to meet peak day demand. An additional benefit of on-system storage is that it permits greater utilization of interstate transportation capacity during the off-peak season to transport purchased gas supply to the citygate to inject into the reservoirs.

Q. Ms. Heins, were other supply sources available to AmerenCIPS during 2001?

A. Yes, AmerenCIPS maintains a propane-air blending plant in Quincy with an operational capacity of approximately 8,400 MMBtu per day. This plant only operated for normal testing during the reconciliation period.

Q. What steps does the Company take on peak days when the daily demand level exceeds the supply available?

A. If daily demand exceeds scheduled gas supply, assuming there is still available pipeline capacity, any available "No-Notice" storage withdrawals would be utilized to meet demand. When maximum "No-Notice" storage withdrawals are attained, then on-system storage withdrawals would be increased as required to cover unmet demand. If demand continued to be in excess of all flowing supplies and storage withdrawals, then AmerenCIPS would nominate and schedule any unutilized and available firm swing gas supplies and pipeline capacity. At this point, all available interstate pipeline resources and on-system storage resources would be maximized. Curtailments of all interruptible services would be declared on the AmerenCIPS' distribution systems. In addition, transportation customers would not be allowed to withdraw from their imbalance banks with the Company. Finally, the propane-air plant would be operated.

Q. What was the Company's peak day in 2001?

A. The peak demand day occurred on January 2, 2001 with a total demand of 221,093 MMBtu, of which 32,323 MMBtu was end-user transportation deliveries and 188,770 MMBtu was system sales demand.

Q. What sources of supply were used to meet the sales demand on this peak day?

A. The peak day for AmerenCIPS sales customers was supplied with 151,809 MMBtu of purchased gas supply delivered from interstate pipeline capacity, 43,751 MMBtu of storage withdrawals from leased storage, 361 MMBtu of storage withdrawals from on-system storage reservoirs, and 88 MMBtu of

native Illinois gas production. System gas supply exceeds sales customer demand day since the end-user transportation customers were withdrawing from their system banks on this particular day.

Q. Was it necessary to curtail interruptible customers or utilize the propane plant during 2001?

A. No.

Q. Does AmerenCIPS have procedures for monitoring the delivery of natural gas from its interstate pipeline suppliers?

A. Yes, it does. The Company monitors and records gas flow volumes from a majority of the delivery points with the interstate pipelines. The facilities where AmerenCIPS' distribution systems interconnect with the interstate pipelines are referred to as M/R (Metering and Regulation) Stations or Citygate Stations where the interstate pipelines perform pressure reduction and transfer custody measurement. Most M/R stations utilize orifice meters as the primary metering devices which are integrated on-site with electronic flow computers. The electronic flow computer data is telemetered from the M/R stations to Ameren Services' Gas Operations office in Springfield, Illinois. On a routine basis, AmerenCIPS compares its delivery volumes to the pipeline metering statements to detect errors or deviations. The Company may also make arrangements to be present during calibration and inspection of measurement equipment by the interstate pipelines.

Q. Were the Company's gas purchases during the year consistent with its procurement policies?

A. Yes, AmerenCIPS utilized the most economical mix of gas sources available under the given conditions.

Q. Do you believe AmerenCIPS' procurement of natural gas was prudent during 2001?

A. Yes, I do.

Q. Does this complete your testimony?

A. Yes, it does.

SCHEDULE JJH-CIP-1

HIGHLY CONFIDENTIAL DOCUMENT

SCHEDULE JJH-CIP-2

HIGHLY CONFIDENTIAL DOCUMENT